



Mutual Fund Dealers Association of Canada  
Association canadienne des courtiers de fonds mutuels  
121 King Street W., Suite 1600, Toronto, ON, M5H 3T9  
TEL: 416-361-6332 FAX: 416-943-1218 WEBSITE: www.mfda.ca

**MR-0046**

September 29, 2005

## **MEMBER REGULATION NOTICE**

### **OUT OF PROVINCE REGISTRATION MULTILATERAL INSTRUMENT 11-101 – PRINCIPAL REGULATOR SYSTEM**

#### **Background**

This Notice is intended to provide an update regarding changes in MFDA requirements with respect to out of province registration in response to the implementation of Multilateral Instrument 11-101 (Principal Regulator System) (“MI 11-101”). MFDA staff have previously addressed the issue of out of province clients in Member Regulation Notices MR-0022 and MR-0028.

Effective September 19, 2005, under MI 11-101, members of the Canadian Securities Administrators (“CSA”), other than the Ontario Securities Commission (“OSC”), implemented the “principal regulator system”. The system gives market participants the opportunity to seek and obtain certain types of regulatory approvals in participating jurisdictions dealing through their principal regulator, as defined in the instrument. At this time, Ontario has not adopted the instrument but will continue to act as a principal regulator under the mutual reliance review systems established by the CSA.

#### **Registration Related Exemptions**

Part 5 of MI-11-101 provides an exemption from registration requirements, which permits a firm or individual to continue dealing with a client that moves to a different jurisdiction, and to deal with certain family members of that client (the “mobility exemption”). Provided the registrant is registered in its principal jurisdiction and has a minimal number of clients and minimal amount of assets under management in the other jurisdiction, the registrant will not have to become registered in the other jurisdiction.

Limitations on the application of the exemptions are set out in MI 11-101, as are a number of conditions and notice requirements that must be satisfied in order for the exemptions to be available to a registrant. Members are advised to review MI 11-101 and the companion policy to the instrument in detail for complete information on the application of the exemptions available under the instrument.

MI 11-101 provides separate mobility exemptions for dealers and individuals. If an Approved Person is relying on the exemption for trading in a local jurisdiction, the Approved Person's Member firm must either be registered as a dealer in the local jurisdiction, or ensure that it also meets the terms of the mobility exemption. If an Approved Person can no longer rely on the exemption, then both the Approved Person and the Member firm must apply for registration in the local jurisdiction if they want to continue to deal with clients in the jurisdiction.

## Application in Ontario

Because Ontario has not adopted MI 11-101, the exemption is not available to:

- Members whose head office is located in Ontario;
- Approved Persons at a branch, sub-branch or other working office in Ontario (Members and Approved Persons are reminded that in some cases working offices require registration as a sub-branch); and
- Members and Approved Persons in other jurisdictions whose clients move to Ontario.

## MFDA Requirements

MFDA Member Regulation Notices MR-0022 and MR-0028 specifically refer to the requirement for Members to have policies and procedures to:

- prevent the opening of new accounts in jurisdictions where the Member or Approved Person is not registered; and
- identify and take appropriate action where clients move to jurisdictions where the Member or Approved Person is not registered.

Going forward, MFDA staff will monitor compliance with these requirements in light of mobility exemptions that may be available to Members and Approved Persons under MI 11-101.

Members must, in any event, establish policies and procedures to monitor compliance with the conditions of any mobility exemptions that the Member intends to rely on and to ensure that their responsibilities with respect to Ontario resident clients are met.